



No. 15

March 17, 2003

S. Con. Res. 23 – Concurrent Budget Resolution for Fiscal Year 2004

Calendar No. 34

Reported on March 14, 2003 as an original concurrent resolution by the Senate Committee on the Budget, by a vote of 12 to 11; no written report. The House of Representatives Budget Committee passed a separate concurrent resolution early March 13, 2003, by a vote of 24-19.

NOTEWORTHY

- **As approved by the Senate Budget Committee, S. Con. Res. 23 sets total spending in fiscal year 2004 at \$2.238 trillion and total revenues at \$1.909 trillion.**
- **Deficit Reduction.** As approved by the Budget Committee, S. Con. Res. 23 increases deficits in the near term as Congress invests in the economy and to fight the war against terrorism. *Deficits would then gradually fall over the ten-year budget window before showing a surplus in 2013.* Stronger economic growth, or lower levels of spending, would balance the budget even sooner.
- **Tax Relief.** As approved by the Budget Committee, S. Con. Res. 23 provides \$725.8 billion from 2003 to 2013 to the Senate Finance Committee for the President's economic growth and job creation package, \$698.3 billion of which is tax relief, with the other \$27.5 billion of outlays for an expanded, refundable child tax credit. The Finance Committee is directed to produce a reconciliation bill for this purpose.
- **Homeland Security.** As approved by the Budget Committee, S. Con. Res. 23 provides the full amount of the President's request for homeland security spending. Funding for the new Department of Homeland Security would grow from \$21.3 billion to \$27.1 billion in 2004, an increase of 27.5 percent.
- **Health.** As approved by the Budget Committee, S. Con. Res. 23 includes six health-related reserve funds. Specifically, \$400 billion over 10 years is set aside for strengthening and improving the Medicare program; \$50 billion over 10 years is to provide coverage for the

uninsured; \$7.3 billion over 10 years is to expand Medicaid coverage for children with special needs; \$12.7 over seven years for Medicaid reform; \$1.8 billion in new budget authority is for expiring State Children's Health Insurance Program (SCHIP) funds; and \$5.7 billion over 10 years is to prevent current and emerging threats of chemical, biological, radiological, or nuclear agents.

HIGHLIGHTS

Tax Relief

- As approved by the Budget Committee, S. Con. Res. 23 provides tax relief sufficient to accommodate President Bush's jobs and growth tax relief plan. The pro-growth, pro-family, and pro-jobs plan provides tax relief of \$698 billion over the next 10 years and an additional \$27.5 billion of outlays for an expanded, refundable child tax credit. The President's plan includes three main components: tax relief for working families (through accelerated marginal rate reductions, marriage penalty relief, child tax credits, and AMT relief originally included in the President's 2001 tax relief bill), elimination of the double taxation of dividends, and an increase in small business expensing. The Finance Committee is directed to produce a reconciliation bill for this purpose not later than April 8, 2003.
- As approved by the Budget Committee, S. Con. Res. 23 assumes, but does not reconcile, the permanent extension of the provisions in the President's 2001 tax relief bill that are currently scheduled to expire after 2010. The 11-year tax relief assumption for these extensions is \$601.9 billion, with 98 percent of the revenue loss occurring in years 2011-2013.
- As approved by the Budget Committee, S. Con. Res. 23 also assumes about \$16 billion in tax relief over 11 years from provisions which are expected to be reported by the Finance Committee as part of energy policy legislation. The resolution assumes the revenue impact of S. 476, the Care Act of 2003, and S. 351, the Armed Forces Tax Fairness Act of 2003, which have been reported by the Finance Committee.

Reconciliation

- As approved by the Budget Committee, S. Con. Res. 23 reconciles the Finance Committee for a reduction in revenues and an increase in outlays consistent with the President's job and growth plan. The Finance Committee is instructed to report legislation by April 8, 2003 that

would reduce revenues by \$698.2 billion between 2003-2013 and would increase direct spending by \$27.4 billion between 2003-2013.

- As approved by the Budget Committee, S. Con. Res. 23 instructs the Senate Committee on Energy and Natural Resources to report legislation which decreases outlays by \$2.1 billion over the 2004-2013 period. The reconciled savings are consistent with opening up the 1002 area of the Arctic National Wildlife Refuge for oil exploration and production in order to decrease U.S. dependence on foreign oil. Reconciliation instructions from the Committee are due by May 1, 2003.

Spending

National Defense (Function 050)

- As approved by the Budget Committee, S. Con. Res. 23 assumes the President's request for discretionary spending for national defense totaling \$400.1 billion in budget authority and \$400.6 billion in total outlays for 2004. The resolution assumes \$380.8 billion in discretionary budget authority for the Department of Defense, an increase of \$6.2 billion (+1.6 percent) above the 2003 appropriated level of \$374.6 billion.
- The resolution does NOT assume costs associated with disarming Iraq or other costs incurred before or after any such operations. As approved by the Budget Committee, S. Con. Res. 23 assumes full funding for the "Purple Heart plus" program included in last year's defense authorization bill.
- As approved by the Budget Committee, S. Con. Res. 23 assumes \$231.9 billion in discretionary budget authority for readiness accounts (military personnel and operations and maintenance) in 2004, representing an increase of \$2.4 billion in budget authority (+1 percent) above the 2003 appropriated level. This amount would support an active duty end strength of 1,388,100 and a Selected Reserves strength of 863,000, as well as pay raises ranging from 2 percent to 6.3 percent, targeted by rank and years of service.
- As approved by the Budget Committee, S. Con. Res. 23 assumes \$136.2 billion for investment accounts (procurement and research, development, testing and evaluation) in 2004, representing an increase of \$4.8 billion in budget authority (+3.9 percent) above the 2003 appropriated level. Major purchases include a Virginia Class submarine, three DDG-51 destroyers, 42 F/A-18E/F fighter planes and 22 F-22 aircraft.
- As approved by the Budget Committee, S. Con. Res. 23 assumes \$9.1 billion in discretionary budget authority for military construction and family housing, representing a 13.8 percent decrease from the 2003 appropriated level of \$10.5 billion.

- For the Department of Energy, as approved by the Budget Committee, S. Con. Res. 23 assumes \$16.9 billion in discretionary budget authority for defense activities in the DoE, an increase of \$1.1 billion (+6.9 percent) above the 2003 enacted level. As approved by the Budget Committee, S. Con. Res. 23 assumes an increase of 10 percent above the 2003 enacted level for the National Nuclear Security Administration, with \$8.8 billion in discretionary budget authority.

Homeland Security

- As approved by the Budget Committee, S. Con. Res. 23 assumes the President's request of \$27.1 billion in discretionary funds for 2004 for the Department of Homeland Security. (CBO and OMB's estimates differ because of differing estimates of offsetting collections for airport security, immigration and customs fees.)
- As approved by the Budget Committee, S. Con. Res. 23 for the Bureau of Customs and Border Protection assumes \$5.6 billion in net discretionary funds in 2004 for these activities, an increase of 16.9 percent or \$809 million over 2003.
- For the Bureau of Immigration and Customs Enforcement S. Con. Res. 23 assumes \$1.4 billion in discretionary funds, a 27.9 percent increase over 2003, or \$316 million. For the Transportation Security Administration, the resolution assumes \$2.7 billion in net discretionary funds, \$279 million less than the 2003 level, a reduction due to one-time start-up costs and equipment purchases needed in 2003. For the Office of Domestic Preparedness, the resolution assumes \$3.6 billion in net discretionary funds in 2004, \$2.5 billion more than the 2003 level (because in 2003, money for this purpose was provided in other programs).
- For the Coast Guard, the resolution assumes \$5.6 billion in net discretionary funds, 9.7 percent more than the 2003 level; the Emergency Preparedness and Response Division receives a net total of \$4.2 billion, with Project BioShield receiving \$890 million in mandatory spending in 2004; the Citizenship and Immigration Services receives \$235 million in discretionary funding under the resolution (all for activities not related to homeland security) and will collect and spend nearly \$1 billion from an immigration examinations fee.
- The President's 2004 budget assumes \$9.6 billion for nondefense homeland security activities in agencies outside of DHS, representing one-third of the total net discretionary budget authority for homeland security activities government-wide. Highlights include nearly \$4 billion in homeland security funds requested by the Department of Health and Human Services; \$2 billion in the Justice Department for activities related to law enforcement, largely at the FBI and Bureau of Alcohol, Tobacco, and Firearms; and more than \$1 billion for Energy Department activities, largely for security at nuclear weapons facilities.

International Affairs (Function 150)

- The Chairman's Mark assumes \$11.5 billion in discretionary budget authority for International Development and Humanitarian Assistance (IDHA), \$1.1 billion (+10.5 percent) above the FY03 appropriation of \$10.4 billion.
- Within IDHA, the resolution reduces the President's \$1.3 billion request for the Millennium Challenge Account (MCA) for FY04 to \$300 million, allowing for more measured program start-up, and growth to levels consistent with the Bush plan by 2008.
- Also within IDHA, the resolution assumes a new Global AIDS Initiative (\$450 million in 2004 and \$22.3 billion over 10 years) and a new fund for Famine (\$200 million in 2004 and \$2.2 billion over 10 years).
- For International Security Assistance, the resolution assumes \$7.5 billion in discretionary authority, \$791 million (+11.8 percent) above the 2003 appropriation of \$6.7 billion.
- For Conduct of Foreign Affairs, the resolution assumes \$7.5 billion in discretionary authority, \$636 million (+9.2) above the 2003 appropriation of \$6.9 billion.
- The Foreign Information and Exchange Activities mark assumes \$983 million in budget authority, \$152 million (+18.3 percent) over the 2003 appropriation of \$831 million.

General Science, Space, and Technology (Function 250)

- This function includes the National Aeronautics and Space Administration (NASA) civilian space program (this excludes NASA aeronautics funding that falls in function 400) and basic research programs of the National Science Foundation (NSF) and Department of Energy (DOE).
- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function will total \$23.6 billion in budget authority and \$22.6 billion in outlays for 2004. This represents an increase of \$0.6 billion (2.4 percent) in budget authority from the 2003 level.
- S. Con. Res. 23 assumes funding the President's request of \$14.5 billion for function 250 activities. Included is \$6.7 billion for Science, Aeronautics, and Exploration and \$7.8 billion for Space Flight Capabilities. The President's request of \$4.0 billion (on a full cost basis) is assumed for the Space Shuttle.

- S. Con. Res. 23 assumes funding the President's request of \$5.4 billion for NSF activities in function 250, a 3.2-percent increase over the 2003 level.
- For DOE Science programs, as approved by the Budget Committee, S. Con. Res. 23 assumes a \$100 million increase over the President's request, bringing total funding for DOE Science programs to \$3.4 billion in 2004, a 4.6-percent increase over the 2003 level.
- S. Con. Res. 23 includes \$273 million for the Department of Homeland Security in 2004. These funds support the advance of homeland security through scientific research.

Energy (Function 270)

- As approved by the Budget Committee, S. Con. Res. 23 assumes \$881 million for non-defense environmental management activities – an increase of \$213 million over the FY03 enacted level and \$370 million more than the President's request.
- The resolution assumes \$802 million for Energy Supply activities – \$106 million over the FY03 enacted level and \$85 million less than the Administration's request, and includes funding for the Administration's hydrogen-powered fuel-cell technology research program. The amount also assumes an increase in funding for programs in a comprehensive energy bill, including nuclear energy research and development.

Natural Resources and Environment (Function 300)

- As approved by the Budget Committee, S. Con. Res. 23 includes \$2.6 billion for wildland fire management, including \$1 billion for fire suppression. The amount is \$380 million above the President's request. The amount reflects the Committee's belief that it is critical to fund the National Fire Plan at a realistic level to ensure that the Forest Service and the Interior Department are able to pay for wildfire suppression and personnel training.
- As approved by the Budget Committee, S. Con. Res. 23 includes an additional \$1.4 billion for the Conservation Security Program, administered by the USDA.
- S. Con. Res. 23 assumes \$4.5 billion for the Corps of Engineers – the same as the FY03 enacted level and \$546 million more than the President's request.
- S. Con. Res. 23 assumes \$900 million for the Land and Water Conservation fund, which is the same as the President's request.
- S. Con. Res. 23 assumes \$8.3 billion for the Environmental Protection Agency – \$247 million or 3 percent over the 2003 enacted level and \$900 million less than the request. The Committee leaves the State and Tribal Assistance Grant fund at \$3.8 billion, the same as the

FY03 enacted level and \$680 million more than the budget request. The Committee mark assumes \$1.4 billion for Superfund – \$125 million more than the 2003 enacted level and the same as the budget request. The resolution also includes \$2.2 billion for environmental programs and management – \$122 million more than the FY03 enacted level and \$200 million less than the budget request.

Agriculture (Section 350)

- Farm income support programs operated by the Commodity Credit Corporation (CCC), and risk management programs under the Federal Crop Insurance Corporation (FCIC) make up most of the spending in this function, which is mandatory.
- As approved mandatory spending, CCC farm income support payments will be capped at \$300,000 for any one entity. This estimated \$1.4 billion will be transferred to the Conservation Security Program (Section 300).
- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function will total \$5.2 billion in budget authority for 2004. This represents a decrease of \$484 million in budget authority, or 8.5 percent, and \$263 million in outlays from the 2003 level.
- As approved by the Budget Committee, S. Con. Res. 23 assumes \$177 million for the Department of Agriculture's common computing environment. This is \$45 million more than the 2003 enacted level. This increase will help modernize the Department's computer system.
- S. Con. Res. 23 proposes modifying several mandatory agriculture programs that will provide savings of \$321 million in 2004 and \$1.1 billion over 10 years. This includes: \$240 million from the Initiative for Future Agriculture and Food Systems; and \$80 million from crop insurance modifications.

Commerce and Housing Credit (Function 370)

- This function includes discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions.
- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function would total -\$0.5 billion in budget authority and \$0.1 billion in outlays for 2004. This

represents a decrease of \$600 million in budget authority, but an increase of \$38 million in outlays from the 2003 level.

- As approved by the Budget Committee, S. Con. Res. 23 for 2004 reflects all the President's requested increases over 2003 for export control and enforcement (47 percent), the activities of the Census Bureau (20 percent), economic and statistical analysis (18 percent), and homeland security investments in the Department of Commerce (43 percent). As approved by the Budget Committee, S. Con. Res. 23 also assumes the President's request of \$842 million (18-percent increase) for the Securities and Exchange Commission to implement the corporate responsibility activities under the Sarbanes-Oxley bill.
- As approved by the Budget Committee, S. Con. Res. 23 reflects the President's budget proposals to eliminate the Advanced Technology Program (ATP), which would save \$700 million over the next 10 years.
- As approved by the Budget Committee, S. Con. Res. 23 assumes the President's proposal to merge the deposit insurance funds for banks and thrifts – the Bank Insurance Fund and the Savings Association Insurance Fund. As the views and estimates letter from the Senate Banking Committee indicates, legislation is necessary to address some potentially destabilizing aspects of the current deposit insurance system.
- Because the Administration discovered that payments required of the Postal Service under current law will result in an overpayment for pension obligations, the President's budget proposed a significant reduction in the Postal Service's obligation. As approved by the Budget Committee, S. Con. Res. 23 assumes legislation would reduce the Postal Service payment for 2003-2005, but then would reinstate and redirect the payment to an escrow fund until Congress can enact subsequent law regarding how the Postal Service should address its retiree health liabilities and other concerns. This proposal would increase the deficit instead by \$7.3 billion over the 2003-2013 period. The budgetary effect on the Postal Service is reflected in this function.

Transportation (Function 400)

- As approved by the Budget Committee, S. Con. Res. 23 includes an obligation limitation of \$32.1 billion for the Federal Aid to Highways Program, a 10 percent increase over the President's proposal. As approved by the Budget Committee, S. Con. Res. 23 assumes the President's proposal to redirect all revenue from gasohol taxes from the General Fund of the Treasury to the Highway Trust Fund.
- As approved by the Budget Committee, S. Con. Res. 23 includes the baseline level of budget authority for the Federal Transit Administration of \$8.2 billion, which includes the "flexing" of \$1 billion for highways as estimated by CBO.

- S. Con. Res. 23 contains a mechanism to make available additional resources for highways contingent upon authorization of new government receipts.
- For the Coast Guard, S. Con. Res. 23 assumes funding the President's request of \$6.1 billion, the same as the FY03 enacted level.
- As approved by the Budget Committee, S. Con. Res. 23 includes \$1.1 billion for the Federal Rail Administration (FRA), including \$900 million for Amtrak in 2004, a \$160 million increase over the 10-year average and equal to the President's request. Of this amount, \$671 million is for operating costs, with the remaining \$229 million for maintenance, capital, and infrastructure improvement.
- The Resolution assumes funding the President's request for NASA at \$993 million, a 20 percent increase from the enacted FY03 level.

Community and Regional Development (Function 450)

- This function includes funding for community and regional development and disaster relief. The function includes the Appalachian Regional Commission (ARC), the Federal Emergency Management Agency (FEMA), the Economic Development Administration (EDA) within the Commerce Department, and portions of the Department of Housing and Urban Development (most notably the Community Development Block Grant program), the Bureau of Indian Affairs, and the Department of Agriculture.
- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function would total \$13.9 billion in Budget authority and \$15.9 billion in outlays for 2004. This represents an increase of \$2.2 billion in Budget authority and a decrease of \$0.1 billion in outlays from the 2003 level. As approved by the Budget Committee, S. Con. Res. 23 assumes no mandatory increases or decreases in this function.

Federal Emergency Management Agency (FEMA)

- As part of the newly-formed Department of Homeland Security (DHS), what was once known as FEMA and all its activities will be managed by the Emergency Preparedness and Response Directorate within DHS. For the Office of Domestic Preparedness, S. Con. Res. 23 adopts the President's proposal and assumes \$3.50 billion to ensure that first responders are properly trained and equipped. The President's request was \$3.56 billion.
- As approved by the Budget Committee, S. Con. Res. 23 assumes \$3.2 billion for Disaster Relief activities, the same level as the President's request. This level is consistent with the average cost of (non-terrorist) disaster events over the past five years. This includes \$2.0

billion in new money, as well as money left over from prior years. This \$2.0 billion in new money represents an increase of \$1.2 billion over the 2003 level.

- The resolution also incorporates the President's proposal for a new \$300 million pre-disaster mitigation program. This matches a proposal in the 2003 budget and replaces the existing formula-based program with competitive awards to ensure that the most worthwhile and most effective projects are funded.
- As approved by the Budget Committee, S. Con. Res. 23 also continues to support the protection of the public against flood damage by supporting the Flood Map Modernization Fund. The resolution includes \$200 million to update inaccurate maps, the same level as the President's request.
- As approved by the Budget Committee, S. Con. Res. 23 also matches the President's request by assuming \$4.7 billion in 2004 for Community Development Block Grants (CDBG). This is \$200 million below the final 2003 level. The President proposes to review this program and develop proposals to better incorporate poorer communities with poverty rates above the national average.

Education (Function 500)

- The resolution assumes a \$1 billion increase in Title I funds, as requested by the President.
- The resolution assumes an at least \$1 billion increase in IDEA funds, with a reserve fund to allow for an additional \$205 million, as requested by the President.
- S. Con. Res. 23 assumes a \$1.3 billion increase in Pell Grant funding.
- The resolution assumes that the President's request for a reduction in Impact Aid to educate federally connected children will not be accepted and assumes level funding for this program.

Health (Function 550)

- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function will total \$49.6 billion in Budget authority and \$47.8 billion in outlays for 2004. This represents an increase of \$152 million in Budget authority and \$3.393 billion in outlays from the 2003 level. This includes spending assumptions for National Institutes of Health spending and bioterrorism preparedness.

Medicare (Function 570)

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$400 billion for the period of fiscal years 2004 through 2013 for legislation that improves the Medicare program and makes prescription drugs more accessible for those covered by Medicare.

Child Care (Function 600)

- The resolution assumes a discretionary spending increase in the Child Care Development Block Grant of \$214 million. The President requested level funding.
- The resolution assumes a mandatory spending increase in the Child Care Development Block Grant of \$200 million. The President requested level funding, but the House has passed reauthorizing legislation raising it by \$200 million to \$2.9 billion for FY04 and every year thereafter to FY08. Health and Human Services Secretary Tommy Thompson has stated that he supports the House-passed increase.
- S. Con. Res 23 assumes the President's request for a \$130 million increase for Head Start, which is a funding level of \$6.8 billion, but does not assume the President's request that the program be shifted from Health and Human Services to the Department of Education.
- The resolution assumes a \$275-million increase in mandatory spending for the Social Services Block Grant.

Federal Employees

- Assumes either a 2.5-percent pay increase for civilian employees, or the President's request for a 2-percent pay increase and the establishment of a Human Capital Performance Fund within OMB to provide performance-based awards to employees.

Social Security (Function 650)

- As approved by the Budget Committee, S. Con. Res. 23 assumes discretionary spending in this function (for administration functions of the Social Security Administration) will total \$4.3 billion in budget authority for 2004. This represents an increase of 10 percent or \$400 million in budget authority from the 2003 level. The President's request limits administrative expenses to \$8.53 billion, but includes Medicaid and Medicare, making a comparison impossible.

Veterans' Benefits and Services (Function 700)

- As approved by the Budget Committee, S. Con. Res. 23 assumes \$29.0 billion for the Department of Veterans Affairs (VA) medical programs. This is a increase of \$3.7 billion over

the 2003 enacted level, and the second largest increase for medical care in the last 5 years. This increase will help the VA in its mission to provide medical care to its core constituency – low-income and service-connected disabled veterans.

Reserve Funds

In general, a reserve fund permits the Chairman of the Committee on the Budget to increase the section 302 allocation and other appropriate levels set out in this resolution (including in some cases the discretionary spending limits) once certain conditions have been met. The authority to make these adjustments is solely within the discretion of the Chairman and may be made when the committee of jurisdiction reports a measure which satisfies all the conditions set out in the reserve fund.

Adjustment for Special Education

- As approved by the Budget Committee, S. Con. Res. 23 contains a mechanism to make additional resources available to the Committee on Appropriations specifically for the Part B grant program under the Individuals with Disabilities Education Act (IDEA). The underlying functional levels and discretionary spending limits in the resolution assume a \$1.0 billion increase for this program for fiscal year 2004 and an additional \$1.0 billion for FY 2005. The mechanism will make available an additional \$205 million for fiscal year 2004 and \$209 million for fiscal year 2005 after enactment of a bill reported by the Committee on Health, Education, Labor and Pensions reauthorizing IDEA.

Adjustment for Highways and Highway Safety

- As approved by the Budget Committee, S. Con. Res. 23 provides a mechanism to make additional resources available to the Committee on Appropriations for highway programs once the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21) is enacted, provided that the reauthorization provides new resources for the highway trust fund – without increasing the deficit.

Reserve Fund for Medicare and Prescription Drugs

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$400 billion for the period of fiscal years 2004 through 2013 for legislation that improves the Medicare program and makes prescription drugs more accessible for those covered by Medicare. The adjustment may be made only if the Committee on Finance reports a bill that strengthens and enhances the Medicare program as well as improves the access of beneficiaries to prescription drugs. The

allocation is the same as requested by the President in his FY 2004 budget proposal to improve and modernize the Medicare program.

Reserve Fund for Health Insurance for the Uninsured

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$50 billion for the period of fiscal years 2004 through 2013 for legislation that provides health insurance for the uninsured. The adjustment may be made only if the Committee on Finance reports a bill that provides health insurance for the uninsured – which may include a measure providing for tax deductions for the purchase of health insurance for, among others, moderate-income individuals not receiving health insurance from their employers.

Reserve Fund for Children with Special Needs

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$7.3 billion for legislation that provides states with the option to expand Medicaid coverage for children with special needs. The adjustment may be made only if the Committee on Finance reports a bill which does not exceed \$43 million in new budget authority and \$42 million in outlays for fiscal year 2004, and \$7.5 billion in new budget authority and \$7.3 billion in outlays for the period of fiscal years 2004 through 2013.

Reserve Fund for Medicaid Reform

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$12.7 billion through 2010 for legislation that reforms the Medicaid program. The adjustment may be made only if the Committee on Finance reports a bill that provides an option for the states to receive their Medicaid and SCHIP money in an allotment that would be indexed at predetermined rates. The adjustments may be made only if the Finance Committee reports a bill that does not exceed \$3.2 billion in new budget authority and outlays for 2004, \$8.9 billion in new budget authority and outlays for the period of fiscal years 2004 through 2008, \$12.7 billion in new budget authority and outlays for the period of fiscal years 2004 through 2010, and is deficit neutral for the period of fiscal years 2004 through 2013.

Reserve Fund for Project Bioshield

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$5.7 billion over the life of the resolution for legislation that facilitates procurement for inclusion by the Secretary of Health and Human Services in the Strategic National Stockpile of countermeasures necessary to protect the public health from current and emerging threats of chemical, biological, radiological, or nuclear agents. The adjustments may be made only if the Committee on Health

Education, Labor and Pensions reports a bill that provides no more than \$890 million in new budget authority (and \$575 million in outlays) for fiscal year 2004 and \$5.7 billion in new budget authority and outlays for the period of fiscal years 2004 through 2013.

Reserve Fund for the State Children's Health Insurance Program (SCHIP)

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$1.8 billion in new budget authority for legislation that extends the availability to states of fiscal year 1998 and 1999 expired State Children's Health Insurance Program allotments and expiring 2000 allotments. The adjustments may be made only if the Committee on Finance reports a bill that provides no more than \$1.2 billion in new budget authority (and \$85 million in outlays) for fiscal year 2003, \$1.3 billion in new budget authority (and \$85 million in outlays) for fiscal year 2004, \$1.9 billion in new budget authority (and \$845 million in outlays) for the period of fiscal years 2003 through 2008, and \$1.8 billion in new budget authority (and \$975 million in outlays) for the period of fiscal years 2003 through 2013.

Reserve Fund for the State Grant Program and ANWR receipts

- As approved by the Budget Committee, S. Con. Res. 23 provides up to \$250 million per year (beginning in fiscal year 2006) for legislation that provides additional resources for the state grant program funded from the Land and Water Conservation Fund. The adjustment is conditioned upon two events: the enactment of legislation which raises offsetting receipts (reflected in the resolution as a reduction in outlays) from the opening of the Arctic National Wildlife Refuge and subsequent reporting of a bill from the Committee on Energy and Natural Resources that dedicates a portion of these receipts to the Land and Water Conservation Trust Fund to fund the e-grant program.

Budget Enforcement Provisions

Section 201: Extension of supermajority enforcement

- As approved by the Budget Committee, S. Con. Res. 23 extends the 60-vote requirement for waivers and appeals with respect to those Budget Act points of order for which this requirement expired on September 30, 2002 (and was temporarily extended through April 15, 2003) for five years.

Section 202: Discretionary spending limits in the Senate

- As approved by the Budget Committee, S. Con. Res. 23 sets out congressional discretionary spending limits for the first two years covered by the budget resolution with respect to both budget authority and outlays. The discretionary spending caps are as follows:

FY 2003: \$764.3 billion in new discretionary budget authority

\$766.8 billion in discretionary outlays

\$31.2 billion in outlays for the highway category

\$1.4 billion in new budget authority and \$6.5 billion in outlays for the transit category

Total budget authority: \$765.7 billion

Total outlays: \$804.6 billion

FY 2004: \$782.7 billion in new budget authority

\$795.5 billion in discretionary outlays

\$31.0 billion in outlays for the highway category

\$1.4 billion in new budget authority and \$6.6 billion in outlays for the transit category

Total budget authority: \$784.2 billion

Total outlays: \$833.2 billion

FY 2005: \$813.3 billion in new budget authority

\$811.1 billion in discretionary outlays

\$32.0 billion in outlays for the highway category

\$1.4 billion in new budget authority and \$6.7 billion in outlays for the transit category

Total budget authority \$814.8 billion

Total outlays \$849.9 billion

Section 205: Pay-as-you-go point of order in the Senate

- As approved by the Budget Committee, S. Con. Res. 23 revises and extends the Senate's pay-as-you-go point of order. The original pay-as-you-go point of order first appeared in the FY 1994 budget resolution. Its most recent version expired in its entirety on September 30, 2002. The point of order was revised and extended in S. Res. 304 through April 15, 2003. S. Res. 304 included a new provision of the pay-as-you-go rule, making the rule applicable to

mandatory spending in appropriations bills in order to prevent the exploitation of the fact that there were no limits on discretionary spending for FY 2003 due to the expiration of the discretionary spending limits and the lack of an FY 2003 budget resolution. The pay-as-you-go point of order included in S. Con. Res. 23 resembles the previous versions of the rule with one change: it will apply on a post-budget-resolution policy basis. To accomplish this, a scorecard will be maintained by the Chairman of the Committee on the Budget which will set out the total level of change to the deficit assumed by the most recently adopted budget resolution. Subsequent legislation will be measured against these balances.

BACKGROUND

General

As Congress' blueprint for federal spending, the budget resolution sets the binding limits on discretionary and mandatory spending levels and binding floors for revenue collections. For discretionary spending, the budget resolution allocates overall spending levels to the House and Senate Appropriations Committees through the so-called 302(a) allocations. The Appropriations Committee then divides this allocation among its 13 subcommittees.

The budget resolution also directs authorizing committees to make changes in mandatory spending programs or revenues through reconciliation instructions. For example, the pending resolution instructs the Senate Finance Committee to report reconciliation legislation by April 8, 2003, which would reduce revenues by \$698 billion between 2003-2013. In past resolutions, instructions have been included to amend Medicare, Medicaid, agriculture programs, and others.

Enforcement of the budget resolution's provisions are affected through both internal Senate rules as well as statutory caps and other limitations. For discretionary spending, the spending levels adopted in the resolution are enforced through 60-vote Budget Act points of order.

The reconciliation process is enforced through numerous provisions at both the committee and floor level. Committees failing to adopt legislation meeting the resolution's instructions face the possibility of having the Budget Committee report out the appropriate legislation instead. On the floor, reconciliation bills enjoy protected status, including limited debate on the bill and individual amendments and special points of order against amendments that increase the deficit, amend the Social Security Act, and others. [For a full description of budget and reconciliation rules, see Budget Committee Print 105-67.]

Procedures

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation, as outlined below. It is not subject to filibuster and debate time is limited to 50 hours, equally divided. However, this does not mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see Riddick's Senate Procedure, revised in 1992, pp. 615-618.]

Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. Germane amendments are those which:

- strike;
- increase or decrease numbers;
- add language which restricts some power in the resolution.

Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes per side. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.

No debate is allowed on a point of order made against any amendment under the Budget Act. Instead, a motion to waive the Budget Act must be made. Debate on any motion to waive a point of order is limited to one hour equally divided.

Amendments can be offered at any time.

POSSIBLE AMENDMENTS

The following is a list of amendments offered in the Budget Committee during markup. Similar amendments may be offered on the floor.

Amendments Offered in the Budget Committee

Amendments Adopted

Byrd. Exempts homeland security spending designated as an emergency from the point of order created in the Chairman's Mark concerning the use of emergency designations (adopted 12-11).

Grassley. Increases spending in function 300 (Natural Resources & Environment) by \$1.398 billion from 2004 to 2013 through a cap of \$300,000 on the amount of money any single entity can receive under spending in function 350 (Agriculture), (adopted 14-9).

Amendments Defeated

Conrad. Creates a point of order against any legislation that increases the deficit in any year until the President submits a report on the cost of disarming Iraq, except for a growth package that is deficit neutral from 2005-2013 or spending measures for national or homeland security (failed 11-12).

Feingold/Corzine. Increases taxes relative to the Chairman's Mark by \$10 billion each year (\$100 billion total) and creates a reserve fund to spend up to \$100 billion for military action and reconstruction associated with disarming Iraq (failed 11-12).

Hollings. Increases taxes relative to the Chairman's Mark by \$1.3 trillion over 11 years by eliminating all tax cuts (failed 2-21).

Hollings. *Sense of the Senate* that Congress should enact legislation giving the Secretary of the Treasury the authority to suspend scheduled income tax rate reductions if there is a projected on-budget deficit in that year (failed 11-12).

Hollings. Assumes enactment of a 2% value-added-tax (estimated to generate approximately \$100 billion per year) and creates a War Financing Trust Fund (failed 2-21).

Corzine. Increases taxes relative to the Chairman's Mark by \$396 billion, reduces the tax reconciliation instruction by that amount, and creates a reserve fund to extend the solvency of the Social Security trust fund (failed 11-12).

Byrd. Suspends debate limitations on any reconciliation legislation that creates an on-budget deficit in any year (failed 11-12).

Murray. Increases taxes by \$4.4 billion relative to the Chairman's Mark, reduces the tax reconciliation instruction by that amount, and increases spending in function 450 (Community & Regional Development) by \$2.2 billion in fiscal year 2003. The spending increase is assumed to be for first responders (failed 11-12).

Stabenow. Increases taxes relative to the Chairman's Mark by \$400 billion from 2006-2013, increases the spending in function 570 (Medicare) by \$200 billion, and increases the Medicare reserve fund in the Chairman's Mark from \$400 billion to \$600 billion (failed 11-12).

Byrd. Strikes the reconciliation instruction to the Finance Committee to reduce revenues by \$698 billion and increase outlays by \$27 billion over eleven years (failed 11-12).

Johnson. Increases taxes relative to the Chairman's Mark by \$3.57 billion from 2004-2007, reduces the tax reconciliation instruction by that amount, and increases spending in function 700 (Veterans Benefits & Services) by \$1.795 billion. The spending increase is assumed to be for veterans medical care (failed 11-12).

Wyden. Increases taxes relative to the Chairman's Mark by \$3.68 billion from 2004-2008, reduces the tax reconciliation instruction by that amount, and increases spending in function 300 (Natural Resources and Environment) by \$1.84 billion in 2004. The spending increase is assumed to be for wildfire management (failed 11-12).

Feingold. Strikes the reconciliation instruction to the Senate Energy Committee to reduce outlays by \$2.15 billion from 2004-2013 (failed 11-12).

Sarbanes. Increases taxes relative to the Chairman's Mark by \$16.635 billion from 2003 to 2010, reduces the tax reconciliation instruction by that amount, and increases spending in function 600 (Income Security) by \$16.3 billion in 2003 and 2004. The spending increase is assumed to be for extended unemployment benefits (failed 11-12).

Wyden. Increases taxes relative to the Chairman's Mark by \$9.4 billion, reduces the tax reconciliation instruction by that amount, increases spending in function 400 (Transportation) by \$4.7 billion from 2003 to 2009. The spending increase is assumed to be for highway and transit (failed 11-12).

Murray. Increases taxes relative to the Chairman's Mark by \$17.8 billion from 2004 to 2007, reduces the tax reconciliation instruction by that amount, and increases spending in function 500 (Education, Training, Employment and Social Services) by \$8.9 billion in 2004. The spending increase is assumed to be for programs authorized under the No Child Left Behind Act (failed 11-12).

Stabenow. *Sense of the Senate* that the Senate should pass legislation similar to S. 812 from the 107th Congress (relating to generic drugs and reimportation) no later than July 31, 2003 (failed 11-12).

Corzine. Increases taxes relative to the Chairman's Mark by \$2.162 billion from 2004 to 2007, reduces the tax reconciliation instruction by that amount, and increases spending in function 300 (Natural Resources and Environment) by \$1.081 billion in 2004. The spending increase is assumed to be for a variety of programs (failed 11-12).

Corzine. Increases taxes relative to the Chairman's Mark by \$15.564 billion from 2004 to 2013, reduces the tax reconciliation instruction by that amount, increases spending in function 300 (Natural Resources and Environment) by \$300 million per year (\$3 billion total), and increases the discretionary spending caps by \$300 million in 2004 and 2005. The spending increase is assumed to be for the Superfund program (failed 11-12).

Conrad. Offers as a substitute the budget resolution reported by the House Budget Committee (failed 1-16, 6 voted "present").

Other Amendments Passed by Unanimous Consent

Sarbanes. *Sense of the Senate* that rates of compensation increases for civilian employees should be adjusted at the same rate for members of the uniformed services (pay parity).

Conrad. *Sense of the Senate* regarding the fact that tribal colleges and universities face significant funding challenges and Congress should work to reach Federal statutory funding goals.

Conrad. *Sense of the Senate* that OMB and Small Business Administration should develop an econometric model to more accurately estimate cost of 504 small business credit program for the 2004 appropriation cycle.

Enzi. *Sense of the Senate* that Congress should develop a long-term drought plan and create a reserve fund to support disaster assistance for livestock and agricultural producers.

Feingold. Modifies the Medicare reserve fund in the Chairman's Mark to allow legislation reported pursuant thereto to promote geographic equity in Medicare payments.

Sense of the Senate that the Department of Defense give priority to funding the Active Guard/Reserves and Military Technicians at minimum required levels.

Sense of the Senate that the Pell Grant award should be raised to the maximum extent possible.

Sense of the Senate that the Department of Defense give priority support to Weapons of Mass Destruction civil support teams.

We expect amendments similar to those offered during the committee markup. Once we obtain the filed amendments, we will disseminate descriptions of the amendments and talking points via e-mail as quickly as possible.

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